the people's pension

Responsible investment policy

April 2024

Profit for people

Contents

Overview

The People's Pension ('the Scheme') is a defined contribution (DC) master trust open to all UK employers. The Scheme has over 6m members and is growing by more than £3bn in contributions annually. As an open and growing master trust, it has a long-term investment outlook. The People's Pension Trustee ('the Trustee') acts as fiduciary over the savings held in the Scheme.

The primary objective of the Scheme's responsible investment (RI) approach is to add financial value and resilience to its members' savings through its portfolio construction and stewardship approaches. As a complement to the primary objective, the Trustee also wishes to encourage companies to behave in a more sustainable way for the benefit of society and the world the members retire into.

The Trustee believes that it can achieve these complementary objectives by:

- Prioritising ESG risks and opportunities where the investment case for financial materiality over the medium to long term is strongest.
- Identifying ESG issues that contribute value to wider society and embedding them into the Scheme's stewardship approach.[1]
- A limited use of exclusions.[2]

The Trustee has concluded that its fiduciary duty is to address these issues as part of its investment decision making.

1 So long as there is no material financial detriment in pursuing this activity. Also refer to Glossary for the Scheme's definition of stewardship, which does not include portfolio construction.
2 As above, so long as there is no material financial detriment in its use, in alignment with the Law Commission's recommendation regarding exclusions.

The Trustee has identified the importance of considering and managing ESG risks and opportunities as part of its portfolio construction alongside and connected to a stewardship programme that includes not only investee companies but wider industry and policymakers. Due to the breadth and scope of these issues, prioritisation is essential.

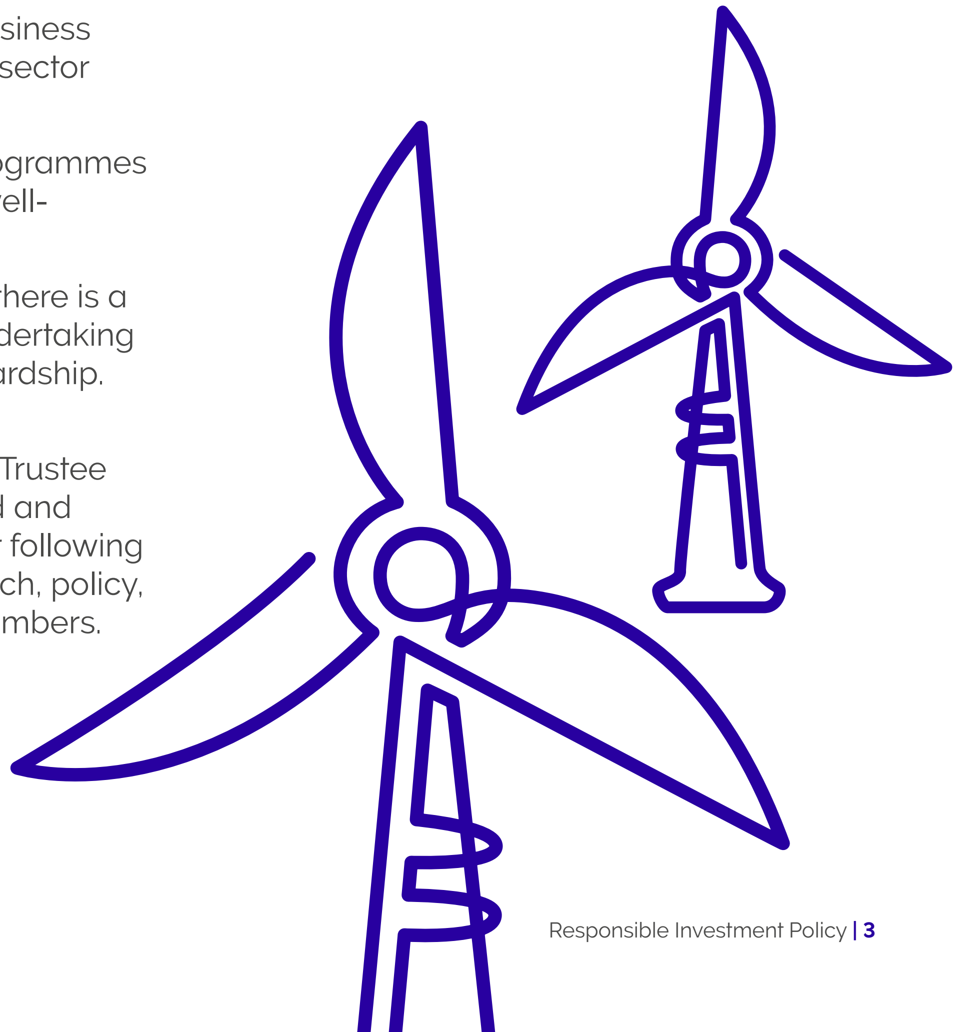
The Trustee has chosen to focus on:

- Issues that relate to climate, nature, and human rights, as these are deemed to be most material to the Scheme's stakeholders.
- Stewardship 'asks' where a business materiality to the company or sector involved can be identified.
- Industry-wide stewardship programmes where the 'asks' are already well-established.
- Stewardship initiatives where there is a comparative advantage in undertaking that particular course of stewardship.

This Policy was approved by the Trustee in March 2024. It will be reviewed and updated at least every 3 years or following any significant change in approach, policy, or the demographic profile of members.

This Policy is divided into 2 main parts:

- **Part 1: The Scheme's responsible investment approach,** which highlights its responsible investment objectives and beliefs and the strategic framework through which this Policy will be implemented.
- **Part 2: The Scheme's stewardship priorities,** which outline the key ESG issues and connected key-stakeholder expectations upon which the Trustee will focus its stewardship activities.



Part 1

The Scheme's responsible investment approach

Introduction

The Responsible Investment Policy ('the Policy') describes the framework governing the approach of The People's Pension ('the Scheme') to integrate environmental, social, and governance, and stewardship considerations into its investment decision making. The Policy is approved by the Trustee of the Scheme ('the Trustee').

As a primary directive, the Policy has been developed to serve the Scheme's main stakeholders – its members. However, due to the technical nature of the Policy, the information on the Scheme's website may better serve their needs. The main audiences for this document are the Scheme's asset managers, other service providers (ie, data and index providers, investment consultants), policymakers, and investee companies. This is because the document sets out the Trustee's 'asks' of these stakeholders, and the People's Partnership Investment Team uses this information to inform its investment approach, including asset manager and service provider selection and oversight. This document may also be of interest to employers using the Scheme for their pension arrangements, advisers, and other wider stakeholders.

This Policy should be read in conjunction with the following associated Scheme policies and reporting:

- Statement of Investment Principles (SIP), which outlines the Scheme's investment strategy, objectives, policies, and governance arrangements in which this Policy and the Climate Change Policy are included in the appendix.
- The Climate Change Policy, which should be considered a subset of the Policy.
- The Scheme's Taskforce for Climate-Related Financial Disclosures (TCFD) report, which is required to be updated annually, outlines further details regarding the Scheme's climate-related governance, strategy, risk management, and metrics and targets.
- The Scheme's yearly Implementation Statement, which provides a high-level summary of its stewardship activities and the Scheme's performance against its SIP.

What responsible investment means to the Scheme

Responsible investment objectives and beliefs

The primary objective of the Scheme's RI approach is to add financial value and resilience to its members' savings through its portfolio construction and stewardship approaches. As a complement to the primary objective, the Trustee also wishes to encourage companies to behave in a more sustainable way for the benefit of society and the world the members retire into.

The Trustee believes that it can achieve these complementary objectives by:

- Prioritising ESG risks and opportunities where the investment case for financial materiality over the medium to long term is strongest.
- Identifying ESG issues that contribute value to wider society and embedding them into the Scheme's stewardship approach.[3]
- A limited use of exclusions.[4]

The Trustee has concluded that its fiduciary duty is to address these issues as part of its investment decision making. The investment beliefs that underpin the aforementioned RI objectives are outlined below.

Investment beliefs
Portfolio level
Many environmental, social and governance (ESG) issues within investee companies can impact upon member outcomes, both financial and non-financial.
The Scheme has universal owner characteristics with a long-term investment horizon and a very diversified portfolio. This means that the Scheme investment returns are dependent on the wellbeing of economy as a whole, and a wide variety of individual company ESG issues are financially material to the Scheme and its stakeholders.
Company level
Well-governed companies that manage material ESG risks and opportunities in their operations and supply chains, such as those that impact employees, suppliers, customers, communities, and the environment, are expected to enhance value for shareholders, including the Scheme's members over the long term.[5]

3 So long as there is no material financial detriment in pursuing this activity. Also refer to Glossary for the Scheme's definition of stewardship, which does not include portfolio construction.
4 As above, so long as there is no material financial detriment in its use, in alignment with the Law Commission's recommendation regarding exclusions.
5 2018-10-03_AlexEdmans_PurposefulBusiness-T.pdf (gresham.ac.uk). Note that enhancing shareholder (and stakeholder) value stems from having a robust process for prioritising stakeholders, as there will inevitably be trade-offs: Microsoft Word - 1. Business Purposev3.docx (alexedmans.com)

Responsible investment spectrum

The below figure shows a spectrum of capital allocation techniques in the context of RI, and highlights where the Scheme operates within that spectrum.

				Impact Investment		
		Responsible Investment				
	Traditional	Screening	ESG Integration	Themed	Impact-first	Philanthropy
				Targeted social and environmental impact		
Focus	Limited or no focus on ESG factors of underlying investment.	Negative or exclusionary screening and positive or best-in-class screening, based on criteria defined in a variety of ways (ie, by product, activity, sector, international norms).	The use of qualitative and quantitative ESG information in the investment process, by taking into account ESG-related trends at the portfolio, security or issuer level.	The selection of assets that contribute to addressing challenges such as climate change or water scarcity.	Environmental or social issues which create investment opportunities with some financial trade-off.	Focus on one or a cluster of issues where social and environmental need requires a 100% trade-off.
Examples	Can be an active choice to not include ESG or due to a lack of data for that asset class or security type.	Screening out global norms violators (eg, UN Global Compact) and Climate-related screening (eg, Thermal Coal).	• Tilting towards companies with higher ESG scores. • Setting constraints on emissions linked to investee companies.	• Private equity renewables projects • Emerging markets helthcare themed fund.	• Fund providing debt or equity to social enterprise or a trading charity.	• Donating or creating a charitable organisation without expectation of return.
Funds	Cash Fund	• Global Investments (up to 100% shares) Fund • Global Investments (up to 85% shares) Fund • Global Investments (up to 60% shares) Fund • Pre-Retirement Fund • Ethical Fund				
		• Shariah Fund • Annuity Fund				

Dark blue denotes where on the Responsible investment spectrum The People's Pension operates. Themed investment is being researched as a potential area of investment in the short to medium-term.

Strategic framework

The Scheme has developed a strategic framework to guide its RI approach. It consists of a set of principles divided into 3 pillars: **portfolio construction, stewardship,** and **reporting**. In summary, the Trustee has committed to:

Portfolio construction

- Consider and manage ESG risks and opportunities as part of the Scheme's portfolio construction (Principle 1).

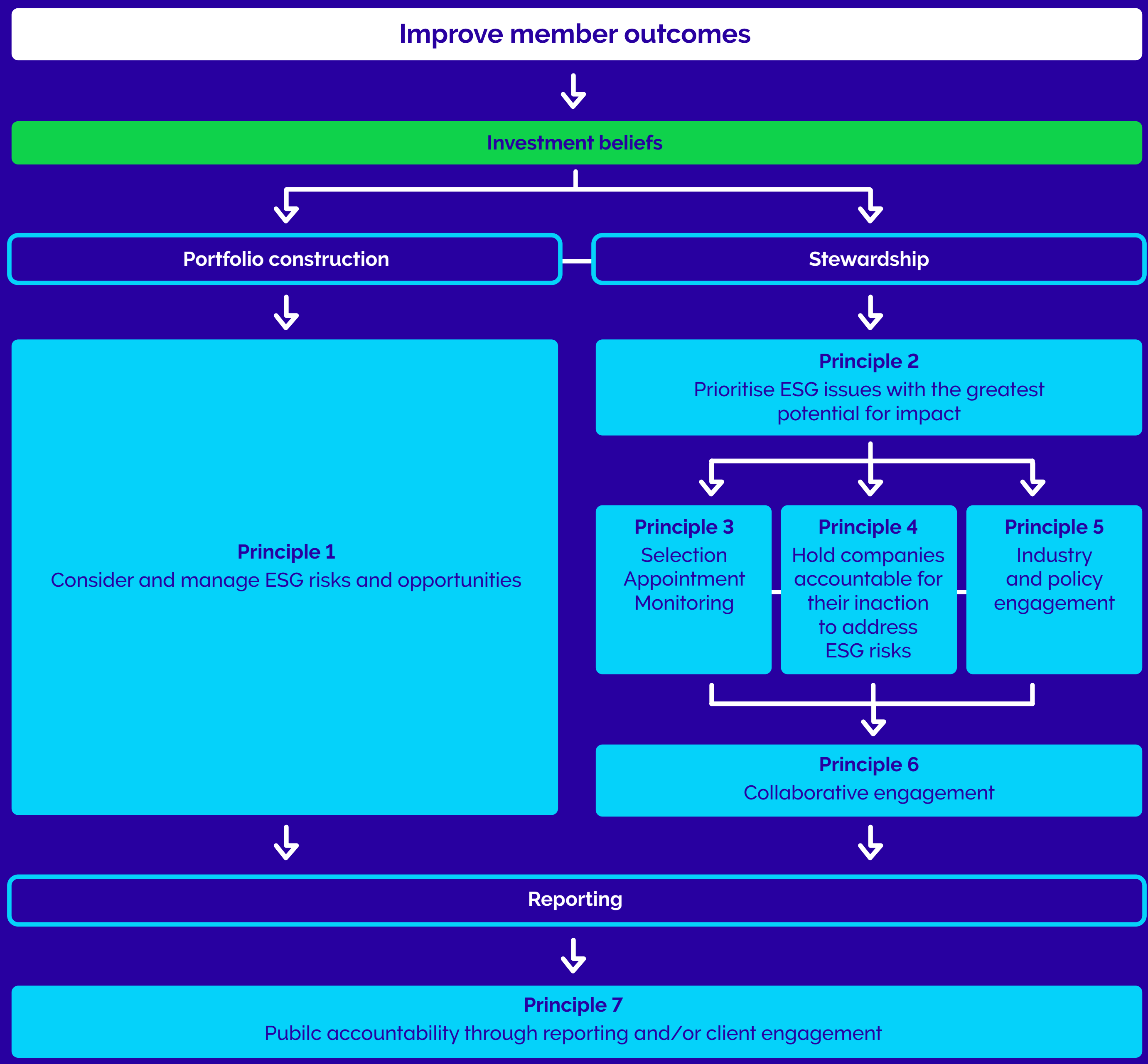
Stewardship

- Prioritise ESG issues with the greatest potential for impact (Principle 2).
- Integrate ESG and stewardship considerations into how the Scheme selects, appoints, and monitors its asset managers and other service providers (Principle 3).
- Through the Scheme's asset managers' activities, hold investee companies to account for the actions they are taking to address business-material ESG risks and opportunities (Principle 4).
- Hold key industry players and policymakers accountable to ensure they are able to help the Scheme achieve its RI objectives (Principle 5).
- Collaborate with other like-minded investors and stakeholders to increase influence (Principle 6).

Reporting

- Annually report on the Scheme's progress (Principle 7).

The chart opposite outlines the Scheme's RI approach and how the strategic pillars and the underlying RI principles interconnect with each other.



Strategic framework

Pillar 1: Portfolio construction

Principle 1: Consider and manage ESG risks and opportunities as part of the Scheme's portfolio construction.

The Trustee incorporates the assessment and management of ESG risks and opportunities into the investment decision-making process using 2 main approaches: integration and exclusions.

The Trustee considers climate change to be a systemic ESG risk with the greatest potential impact on member outcomes. In its 2019 Climate Change Policy, the Trustee first stated its ambition to align its investment portfolio with the 1.5˚C pathway[6] set out by the Intergovernmental Panel on Climate Change ("IPCC"). The appropriateness of this decision will be continually assessed to ensure this ambition remains in alignment with the fiduciary duty to act in the best financial interests of the Scheme's members.

With this in mind, the Trustee has set the following emissions reduction targets[7] for the portfolio:

- Net zero greenhouse gas (GHG) emissions by 2050
- Halving its GHG emission intensity by 2030 for the Scheme's growth assets
- 30% GHG emissions intensity reduction by 2025 for the developed equity portion of the portfolio.

Further detail on how the Scheme is working to achieve this is detailed below. As highlighted in the Scheme's climate change policy, improving data quality and/or company disclosure remains a key pillar to achieving these targets.

The Trustee remains open to exploring the integration of other ESG risks and opportunities, such as nature and human rights, into its portfolio construction, subject to an evaluation of the availability and robustness of data and analytics. As a result, this will be kept under review.

Integration

The integration of ESG analysis into the investment decision-making process is done on the basis of financial materiality. If there is a manageable risk that it is believed may negatively impact the performance of the portfolio or an accessible opportunity that it is believed may positively impact the performance of the portfolio, the Trustee will consider how this can be integrated into the portfolio construction. A key consideration in this area concerns the extent to which ESG factors are already reflected in pricing and valuation.

To date, the Scheme has begun integrating climate change into its portfolio construction decision making. In 2024, the Scheme transitioned its developed market equity tracking investments to a methodology that is intended to align with the 1.5˚C scenario set out by the IPCC.

Through the introduction of this strategy, these assets:

- Have an initial 30% reduction in GHG emissions compared to market indices
- Provides incentive to companies that are setting targets
- Increased investment in companies that see opportunities from a net zero transition
- Decarbonise annually based on the trajectory established by the IPCC in order to reach 1.5˚C with no or limited overshoot.

Exclusions

In general, the Trustee does not believe that large-scale exclusions[8] are consistent with its RI objectives, which focus primarily on potential financial factors. The Trustee believes, as a general principle, it should retain the option to make a decision on a case-by-case basis rather than make a blanket exclusion, which rules a significant number of companies out on the basis of their business. On balance, the Trustee believes that a robust stewardship programme will influence corporate behaviour more effectively than divestment. Enforcing large-scale exclusions limits our ability to work collaboratively with others to develop investment solutions designed to bring about change.

Using climate change as an illustration, the Trustee prefers a tilting methodology that can reduce its exposure to individual securities (such as those in the fossil fuel industry), potentially to zero, but this is distinctly different from blanket exclusion. With regards to investment in conflict-affected regions, the Trustee will continue to monitor where assets are held and work with its asset manager(s) to make sure all our investments are compliant with current sanctions.

There are, however, certain issues where exclusions are considered appropriate, and those that have already been implemented into the investment profile funds are detailed below. Before any exclusions are added to the portfolio, research will be conducted to understand key questions such as:

- Is further engagement likely to have a material impact?
- Are the excluded investments financially material to the portfolios' expected future returns?
- Is the business activity likely to be exposed to reputational or policy risk that could result in an impact on the company's pricing and valuation that is not currently reflected in the price?

Once the above is understood, the Trustee will be able to make an informed decision on whether or not to introduce an exclusion.

6 Based on IPCC's 1.5˚C with no or limited overshoot scenario.
7 Assessed against a 2023 baseline. Targets will be measured against Scope 1+2+3
8 For example: excluding whole GICS sectors.

Strategic framework

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Exclusions*	
Category	**Assets**
Controversial weapons	• Equity-tracking investments • Fixed-income tracking investments (corporate bonds)
Very severe ESG controversies (eg, UN Global Compact violations)	• Equity-tracking investments • Fixed-income tracking investments (corporate bonds)
Severe environmental controversies	• Developed-market equity-tracking investments
Tobacco-related business	• Equity-tracking investments
Thermal coal extraction and mining	• Equity-tracking investments

* As an index-tracking investor, the Scheme relies on the index provider to define the exclusions in each index. The Trustee, with support from the People's Partnership Investment Team and other service providers will review these definitions as part of the index-election process as well as during ongoing monitoring.

In addition to the exclusions in the investment profile funds, there are also exclusions present within the asset allocation for the Annuity Fund, Ethical Fund, and Shariah Fund.

The Annuity Fund is made up of corporate bonds and sovereign debt (primarily from the UK). The corporate bonds for this fund have exclusions in place for companies:

- Involved in controversial weapons
- Violating global norms, ie, UN Global Compact
- Direct involvement in the production or manufacturing of tobacco
- Connected to the extraction or use of thermal coal to generate electricity (above 10% revenue or involvement)

For more information on the Ethical Fund, please see 'Our Ethical Fund in focus' webpage: https://thepeoplespension.co.uk/investment-funds/the-ethical-fund/

For more information on the Shariah Fund, please see 'Our Shariah Fund in focus' webpage: https://thepeoplespension.co.uk/investment-funds/the-shariah-fund/

Potential trade-offs

A portfolio with a 1.5˚C decarbonisation pathway may introduce additional concentration risks if there is a wider industry and policy consensus that 1.5˚C is no longer achievable. To address this risk, the Trustee will conduct yearly monitoring of industry and policy developments, or earlier as needed, to confirm whether or not the current climate strategy remains fit for purpose.

Pillar 2: Stewardship

Introduction

Stewardship has the potential to create long-term value for clients and beneficiaries. To maximise effectiveness, stewardship priorities[9] underpinned by a robust prioritisation process are key. To address the trade-offs inherent in prioritising a small subset of stewardship activities, the Scheme has used the following criteria to decide where to allocate its stewardship resources:

- Prioritise ESG issues that are considered to be systemic risks.
- Focus on stewardship 'asks' where a connection can be made to generate shareholder value in a way that aligns with value to the Scheme's members as well as wider society.
- Focus on stewardship activities where the Scheme has a comparative advantage[10] in undertaking that stewardship.
- Focus on companies where a material ESG issue also has business materiality for the company or sector considered.
- Focus on stewardship 'asks' that are part of established industry-wide frameworks with existing momentum and a track record behind them.

Principle 2: Prioritise ESG issues with the greatest potential for impact.

Using the above prioritisation framework, the Trustee has identified **climate change, nature,** and **human rights** as its stewardship priorities. The stewardship priorities in Part 2 of this Policy sets out the following with respect to each of these priorities:

- The rationale that has driven the selection of the thematic and sectoral focus areas
- Key investee company expectations on the issue in question, including voting
- Key policy expectations
- Key industry engagement and collaborations
- Potential trade-offs involved

Overall, the stewardship priorities document also outlines how these expectations and engagements will drive the Scheme's asset manager monitoring programme (Principle 3).

9 DWP also recommends stewardship priorities in its June 2022 guidance. Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance - GOV.UK (www.gov.uk)
10 investorforum.org.uk/wp-content/uploads/securepdfs/2022/05/Stakeholder_Capitalism-report.pdf

Strategic framework

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Principle 3: Integrate ESG and stewardship considerations into how the Scheme selects, appoints, and monitors asset managers and other service providers.

Asset managers

Minimum requirements

The Trustee will incorporate the following minimum requirements into its asset manager selection process:

- Become a signatory to and remain compliant with the 2020 UK Stewardship Code or an equivalent local stewardship code applicable in their jurisdictions.
- Support the Scheme's net zero strategy through its own net zero actions.
- Suitable commitment to the resourcing of the manager's own stewardship function above the average level of industry peers.
- Commitment to training and development of key fund management individuals on RI.

If circumstances arise whereby (an) existing manager(s) does/do not meet these minimal requirements, the Trustee will allow the manager(s) a suitable grace period to meet them. If, after this grace period, the minimum requirements are not met, an appropriate escalation strategy will be triggered, as highlighted on page 16.

Expectations

As part of its monitoring programme, the Trustee will annually review all the Scheme's asset managers to evaluate whether their approach to RI is:

- Continuing to meet the minimum requirements as outlined on this page
- Demonstrating reasonable progress against the expectations outlined in the table on the following page.

Topic	Asset manager expectations	Key monitoring metrics
Purpose	Alignment with the Scheme's RI objectives and beliefs	• Evidence of a prioritisation framework that drives the stewardship strategy. If present, whether it is in broad alignment with the Scheme's approach • Stewardship resourcing allocation (see Governance below) – eg, industry and policy engagement programme that aligns with, nor undermines, the Scheme's RI objectives and beliefs
Governance	Robust governance systems that drive effective stewardship	• Sufficient board-level ESG oversight • Adequate stewardship resourcing (financial investment, skills, training, headcount, market coverage) • Evidence of a diversity action plan and completion of the Asset Owner Diversity Charter questionnaire
Voting and engagement activities	• Exercise voting rights on the Trustee's behalf in companies in which the Scheme has holdings (baseline expectation) • Align stewardship activity with the Scheme's stewardship priorities • A formalised and robust process for setting and tracking engagement milestones, including escalation	• Voting policy alignment with good-practice corporate governance principles • Executes engagement programme as outlined in the Scheme's Stewardship Priorities • Executing the Scheme's net zero voting guidelines • Appropriate disclosure of deviations from the house voting policy views and appropriate rationales • Appropriate disclosure of deviations from the proxy adviser recommendations (ie, to address issues of "robo-voting") • Evidence of a link between equity and bond stewardship activity, where doing so will increase influence and impact • Evidence of an integrated tracking system for voting and engagement activity • Evidence of a robust process for escalation activity linked to failed engagement or policy breaches
ESG integration and exclusions	Robust oversight of index construction and management processes	• Incorporating changes in ESG trends into the data and index construction process, including exclusions • Breaches to index construction rules are handled appropriately • Changes to index construction are implemented appropriately • How exclusions are implemented when at a fund-level rather than an index-level
Industry and policy engagement	Align industry and policy engagement activities with the Scheme's stewardship priorities	• Percentage of the Scheme's industry and collaborative engagements that the asset manager participates in • Quality of industry and policy engagement (eg, leading versus supporting, light touch versus intensive, etc) • Proportion of resources allocated to industry and/or policy engagement (or systemic stewardship) versus company engagement • Proportion of policy and/or industry engagement tied to the Scheme's ESG priorities
Quality of client reporting[11]	Provide best-in-class, strategy-level stewardship reporting on the Scheme's stewardship priorities	• Engagement reporting in alignment with the Investment Consultant's Sustainability Working Group's engagement reporting guide • Detailed voting records on the Scheme's significant votes [12] • Quality of voting rationales for votes against management and a controversial vote

11 As of the date of the Policy, the Financial Conduct Authority's Vote Reporting Group has not yet published its final industry recommendations regarding improving vote disclosures at an industry level. These recommendations will be incorporated into the monitoring metrics when they are made publicly available.
12 As determined by the Scheme's stewardship priorities and taking into account statutory guidance

Strategic framework

The Trustee acknowledges that some managers may be on a journey to achieve these expectations. If significant gaps are identified, asset managers will be put on notice to improve within the agreed timelines. If those timelines are not met and collaboration with the asset manager is deemed unsuccessful by the Trustee, their appointment will be reviewed, which may result in a redirection of new investments or their contract may be terminated.

The minimum requirements and expectations will be reviewed by the investment team with appropriate escalation to the Trustee at least annually to ensure alignment with industry developments.

Advisers

The Trustee expects its adviser(s) to demonstrate its/their competency in the field of RI. Key focus areas[13] in the competency assessment will include:

- Firmwide ESG expertise and commitment, notably in the Scheme's stewardship priorities.
- Individual consultant ESG expertise, notably in the Scheme's stewardship priorities.
- Tools and software (climate-specific, but this will evolve over time to include other ESG issues).
- Policy advocacy.
- Evidence of a diversity action plan and completion of the Asset Owner Diversity Charter questionnaire.
- Robust assessment of managers that draws clear lines between leading and lagging RI practice.
- Commitment to training and development of key RI individuals grounded in real-world outcomes.

The Trustee conducts an annual review of its adviser(s), which includes its/their RI credentials.

Data and Index Providers

The Trustee expects its data and index provider(s)[14] to:

- Operate with robust governance, with the appropriate workforce, resources and incentives to drive effective product delivery to clients (including evolving their products in line with market developments).
- Be sufficiently transparent in its/their methodology, information, and data inputs and assumptions, working with openly available inputs wherever possible, including:
    - Where data is estimated as opposed to directly measured.
    - Being open about the limitations of its/their data.
- Determine their outputs by applying systematic processes, sound systems and controls.
- Identify, manage, and disclose conflicts of interest.
- Identify and respond to market-wide and systemic risks to promote a well-functioning financial system.
- Provide appropriate reporting to support the Scheme's requirements.
- Have the ability to provide information aligned with the Scheme's evolving needs and expectations.
- Provide complementarity and additionality in comparison with similar offerings by other industry peers.

Monitoring index providers against the Scheme's expectations will be incorporated into the 'ESG integration and exclusions' section of its asset manager monitoring framework (refer to the table on page 15).

The People's Partnership Investment Team conducts an annual review of the suitability of the ESG data and analytics strategy and, by extension, its ESG data provider(s) to determine whether its/their offering remains suitable for the Scheme.

Principle 4: Through the Scheme's asset managers' activities, hold investee companies to account for the actions they are taking to address business-material ESG risks and opportunities.

The Scheme currently delegates voting and engagement with investee companies to asset managers. Therefore, the primary avenue the Scheme has to implement this principle is through the voting and engagement policies of its managers and holding them accountable for their approach against its stewardship priorities. Further details on this can be found in Part 2 of this Policy.

Any company-level engagement that the Scheme chooses to undertake itself would be decided on an exceptional basis, informed in part by:

- The gap between the Scheme's asset manager expectations and its asset managers' stewardship approach.
- The systemic importance of the sector in which the company is situated or the company itself (the potential efficacy of the company's actions in addressing the issue).
- The business materiality of the ESG issue to the company itself.
- The comparative advantage of us undertaking the stewardship as opposed to other investors.
- The ability to leverage existing investors' collaborative engagement platforms, such as the Principles for Responsible Investment (PRI) and the Institutional Investors Group on Climate Change (IIGCC).

The Scheme's company expectations of its stewardship priorities are outlined in Part 2 of this Policy.

13 Taken from the Investment Consultants Sustainability Working Group Climate Competency Framework.
14 Note that it is the Scheme's asset manager that has a direct commercial relationship with the index providers. Therefore, the monitoring programme against the Scheme's expectations will be reflective of that relationship. The Trustee encourages data and index providers to be signatories to the FRC's Stewardship Code for Service Providers in fulfilment of these expectations.

Strategic framework

Principle 5: Hold key industry players and policymakers to account to ensure they are able to help the Scheme achieve its RI objectives.

The Trustee recognises the importance of other investment actors (eg, data and index providers, advisers and policymakers) in delivering its RI objectives. The Trustee will prioritise investor collaboration (Principle 6) in engaging with these key stakeholders and prioritise issues where material breaches in the service provider and policy expectations of the Scheme's stewardship priorities occur.

The Scheme's key industry engagements are outlined in Part 2 of this Policy (Stewardship priorities).

Principle 6: Collaborate with other like-minded investors and stakeholders to increase influence.

Building coalitions of like-minded asset owners and managers is perhaps one of the most important ways the Trustee can drive real change, given the Scheme's market position and influence. As a result, the Trustee will continue to:

- Lend support to selected existing collaborative initiatives that are focused, well organised, and can add more power to our stewardship approach.[15]
- Look to build coalitions of support in key, material ESG areas where we have a comparative advantage in doing so and existing initiatives do not exist.
- Convene or participate in collaborative engagement if there are particular issues the Scheme has identified, recognising that it may have more success when dealing with asset managers, service providers, data providers, and policymakers collectively.

The Scheme's key collaborative initiatives are outlined in Part 2 of this Policy (Stewardship priorities).

Pillar 3: Reporting

Principle 7: Annually report on the Scheme's progress.

The Scheme's activities will be publicly reported on as part of its annual Implementation Statement and TCFD reporting, as well as any additional reporting deemed necessary as the Scheme evolves its approach. The Trustee has identified improving member communications in its RI activities as a priority. To that end, it is the Trustee's intention to submit an annual stewardship report to the Financial Reporting Council (FRC) starting in early 2025 to apply for continuing Stewardship Code signatory status.

The Scheme's SIP outlines the internal monitoring and reporting of its responsible investment activities, of which the Trustee has oversight.

15 Examples include being part of various Principles for Responsible Investment (PRI) and Institutional Investors Group on Climate Change (IIGCC) working groups to address industry challenges. For full details of the Scheme's participation in these working groups, please refer to its website.

Part 2

The Scheme's stewardship priorities

Summary

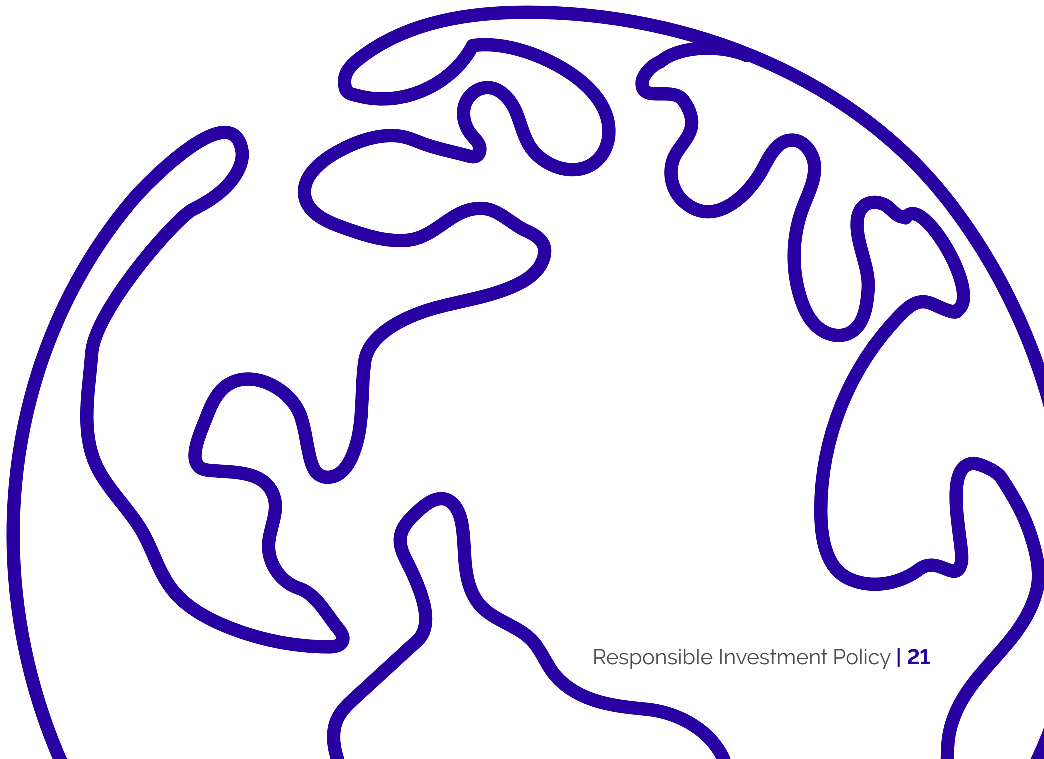
The Trustee has identified climate change, nature and human rights as its stewardship priorities. For each priority, this section lays out:

- The rationale that has driven the selection of the focus themes and sectors
- Key investee company expectations, including net zero voting guidelines
- Key policy expectations
- Key industry engagement and collaborations
- Potential trade-offs involved

The stakeholder expectations outlined in this section will be predominantly used to drive the Scheme's asset manager monitoring programme. The Trustee expects its asset managers to:

- Align with the investee company expectations and hold them accountable for adhering to them.
- Implement the net zero voting guidelines.
- Participate and demonstrate leadership in industry engagement and collaborations referenced in this document.
- Broadly align with the policy expectations and demonstrate leadership with policymakers and government bodies in holding them to account for adhering to them.

If these expectations are not materially met, the findings will be incorporated into the broader asset manager monitoring programme, as outlined in Part 1 of this Policy (Principle 3).



Summary

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Targeted stewardship activity

The tables below provide a summary of the key targeted stewardship activities within the Scheme's stewardship priorities. Further details regarding company and policy expectations, as well as the Scheme's participation in industry and collaborative engagement, are presented in subsequent sections.

Rationale for prioritisation	Focus sectors and themes	Key stakeholder expectations
Company expectations and voting escalation		
Insufficient progress on company net zero strategies requires increased voting escalation.	• Climate Action 100+ (CA100+) companies • Banks	**Investee companies** – adhere to the Scheme's company expectations. **Asset managers** – adhere to the Scheme's company expectations and implement net zero guidelines.
	• Net zero commitment • Science-based targets • TCFD reporting • Decarbonisation strategies	
Further scrutiny (in addition to the above) on: a) Fossil fuel-reliant sectors (including supply and demand) given their importance in the energy transition. b) Banks, given their gatekeeping role in fossil fuel financing.	• Oil and gas • Auto • Utilities • Steel • Banks	
	• CAPEX • Report and accounts • Lobbying	
Net zero cannot be achieved without addressing deforestation.	Sectors linked to agricultural-linked commodities[16]	
	Deforestation policy and/or commitment	

Rationale for prioritisation	Focus sectors and themes	Key stakeholder expectations
Policymaker expectations		
Inadequate policy frameworks weaken stewardship effectiveness, especially with well-diversified investors (universal owners).	• Climate • Nature • Human rights	**Policymakers** – adhere to the Scheme's policy expectations. **Investee companies** – to implement responsible lobbying practices (see page 22). **Asset managers** – to participate and take a leading role in policy engagement activities.

Rationale for prioritisation	Focus sectors and themes	Key stakeholder expectations
Industry and collaborative engagements		
With respect to company engagement, prioritising existing industry and collaborative engagements over individual engagements will greatly increase the likelihood of a successful outcome.	• CA100+ (climate) • Nature 100+, PRI's Spring (nature) • PRI's Advance (human rights) • Global Investor Commission on Mining 2030	**Asset managers** – to participate and take a leading role in these collaborative engagements.
Given its nascency, prioritising driving better-quality human rights data and analytics through industry and collaborative engagement is the most effective way to advance the Scheme's approach to this issue.	Human rights	**Asset managers** – to participate and take a leading role in industry and collaborative engagements to drive better-quality human rights data and analytics.

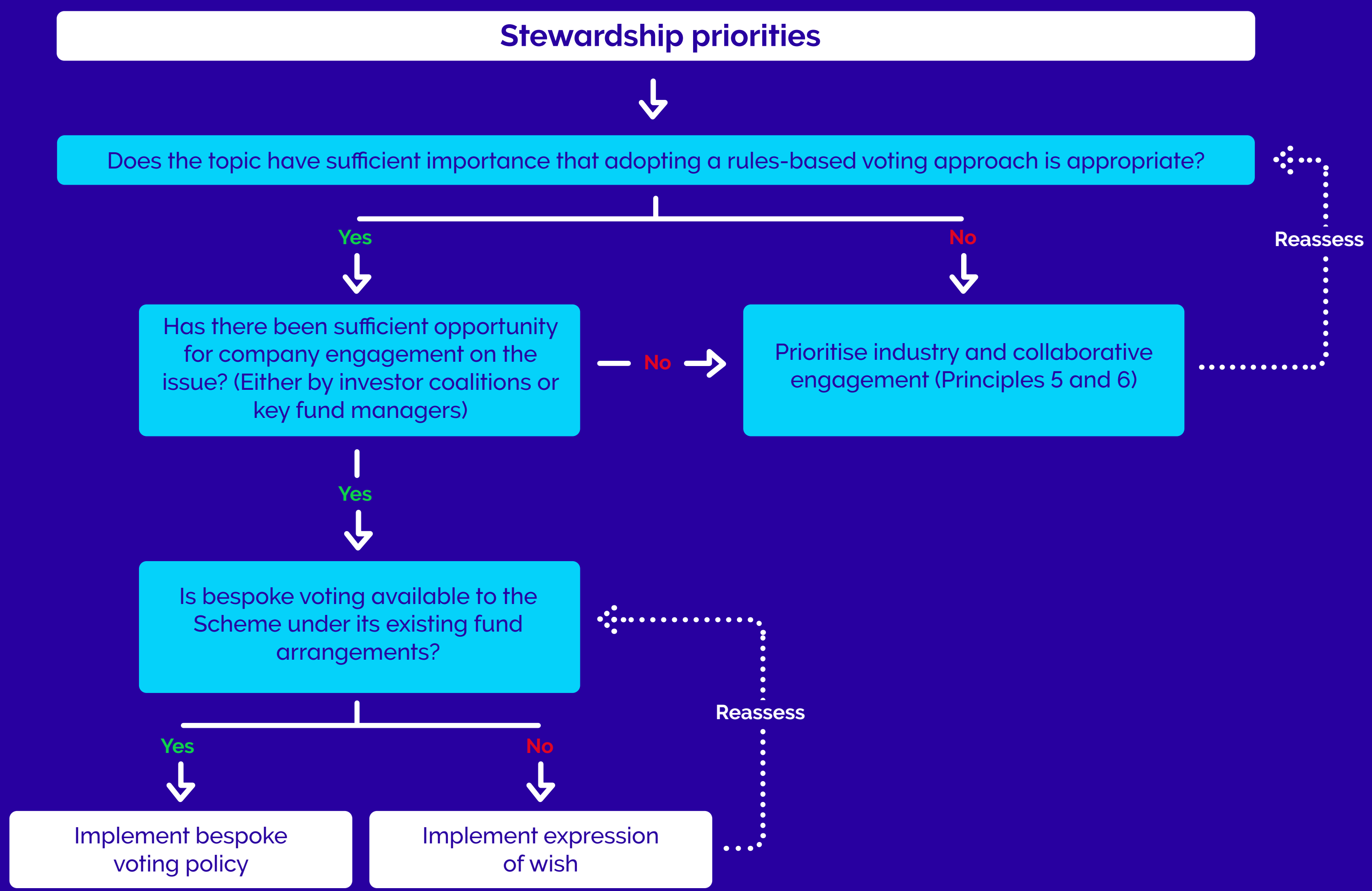
16 As identified by the Science Based Targets Network (2023) SBTN High Impact Commodity List.

Summary

Maturity map

The chart below provides the decision-free framework, which allows the Scheme to further hone its stewardship approach in accordance with the maturity—or rather, importance—of each individual stewardship priority. By following this framework, the Trustee has identified the need to prioritise:

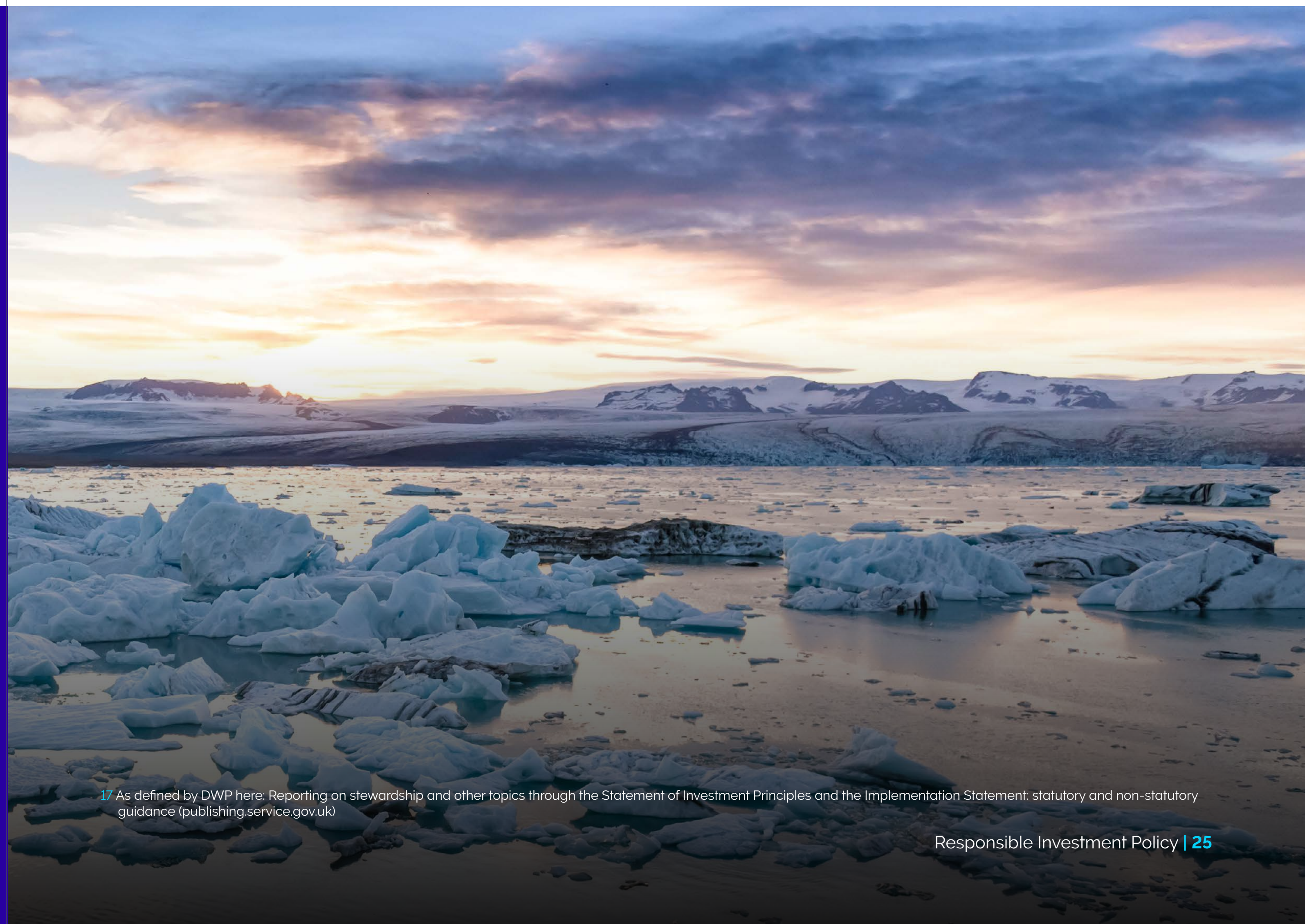
- The implementation of the Scheme's net zero voting guidelines through an 'expression of wish'[17] to its asset manager(s).
- Industry and collaborative engagements to improve the quality and availability of human rights data and analytics in the market.



Measures of success

The Trustee will measure the success of the Scheme's stewardship programme by considering indicators such as:

- How the Scheme's asset managers exercise company engagement, proxy voting, industry, policy, and collaborative engagement in alignment with the Scheme's expectations.
- The Scheme's participation in industry, policy, and/or collaborative engagement resulted in a tangible positive impact, with emphasis on those initiatives where the Scheme took a leading role.



17 As defined by DWP here: Reporting on stewardship and other topics through the Statement of Investment Principles and the Implementation Statement: statutory and non-statutory guidance (publishing.service.gov.uk)

Company expectations

The company expectations outlined below will be predominantly used to drive the Scheme's asset manager monitoring programme. The Trustee expects its asset managers to embed these company expectations into their stewardship activities and implement its net zero voting guidelines.

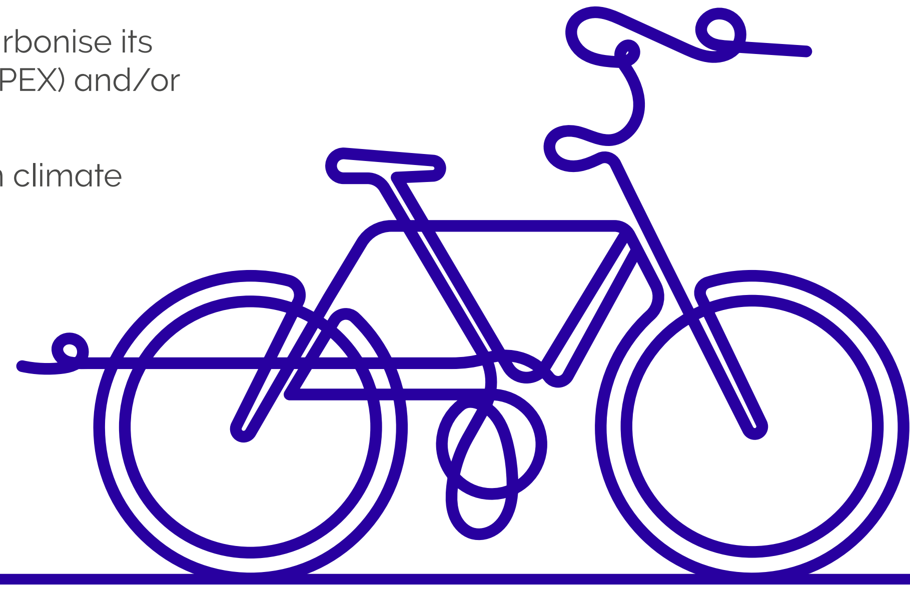
Good corporate governance is the foundation of any well-run business. How the company's board aligns with shareholders' long-term interests is a critical underpinning of whatever stewardship priority has been selected. The Trustee encourages all companies in which it invests on a global scale to closely align with the International Corporate Governance Network's Global Governance Principles, the Organisation for Economic Co-operation and Development's (OECD) Principles of Corporate Governance, as well as regional good practice frameworks such as the UK's Corporate Governance Code, all of which set out the fundamentals of corporate governance. The Trustee encourages companies to begin aligning their sustainability reporting to the International Sustainability Standards Board's sustainability standards.

Climate

For further details on the investor and company-level materiality of climate, please refer to the Scheme's Climate Change Policy. Some companies operate in sectors where climate change risks are closely related to the core business or have a business materiality. In these areas, the Trustee expects boards to pursue value creation in ways that align with the grain of climate change mitigation activities. The Trustee believes that this is best enacted by aligning with the requirements of Climate Action 100+ and the Transition Pathway Initiative's banking tool.[18]

Specifically, the Trustee expects all CA100+ focus companies and banks to:

- Set an ambition to achieve net zero GHG emissions by 2050 or sooner.
- Work towards achieving a credible business plan to achieve this ambition that sets out clear interim targets and milestones, material actions, activities, and accountability mechanisms that are appropriate for their sector and market.
- Align their disclosures with relevant, recognised industry benchmarks.[19]
- Disclose evidence of board or board committee oversight of the management of climate change risks and demonstrate that it has the capabilities and competencies to assess and manage climate-related risks and opportunities at board level.
- Provide robust reporting on the effectiveness of systems of internal control and risk management for climate-related risks and how climate change issues are considered when reviewing the company's financial performance, strategy and business plans.
- Appropriately define and consider any material climate-related risks in preparing the financial statements.
- Set short, medium, and long-term science-based targets[20] for Scope 1, 2 and material Scope 3 emissions built around robust methodologies.
- Disclose evidence of a decarbonisation strategy that explains how it intends to meet its medium and long-term GHG reduction targets.
- Disclose evidence of:
  - how it is working to decarbonise its capital expenditures (CAPEX) and/or lending practices
  - how it intends to invest in climate solutions.
- Make an explicit statement of how it has phased out or is planning to phase out capital expenditure and/or lending in new unabated carbon-intensive assets or products by a specified year.
- Review all trade association funding and corporate lobbying activities and ensure they are fully aligned with the company's public position and policies on climate change.[21]
- Show a commitment to the principles of a 'just transition' (see glossary for further detail).



18 Banking Tool - Transition Pathway Initiative.
19 Examples include the Climate Action 100+ Net Zero Company Benchmark, the Transition Plan Taskforce Gold Standard Disclosure Framework, and sector-specific guidance such as Net Zero Standards for Oil and Gas, Banks and Diversified Mining.
20 Example: Science-based Targets Initiative.
21 The Trustee supports the Global Standard for Responsible Climate Lobbying, and thus, on a comply or explain basis, expects companies to adhere to it.

Company expectations

Menu

The below table outlines the net zero voting guidelines that the Trustee expects its asset manager(s) to implement as an 'expression of wish'.

Year	Voting guidelines	Focus sector(s)
	Climate	
Directors – baseline expectations		
2024	**Where a company fails, one or more of the following:** • TCFD reporting • Net zero by 2050 (or sooner) ambition • Short, medium, and long-term science-based emission reduction targets • A decarbonisation strategy in place, with a defined set of quantitative and qualitative actions to reach the emission reduction targets **Vote against the Chair of the Board.**	• All CA100 companies • Banks[22]
2025	**If above remains unmet, vote against the entire Board**	
Directors – deeper scrutiny of key sectors for fossil fuel reliance		
2025	**If a company meets baseline expectations but does not provide sufficient disclosure with respect to:** • How it plans to align its capital expenditure and lending practices to net zero • How material climate-related matters are incorporated into the financial statements (UK and EU only) • How the auditor of the company has assessed the material impacts of climate-related matters (UK and EU only) • How its lobbying activities are aligned to net zero **Vote against the Audit Committee Chair (all markets) and the auditor (UK/EU only).**	• Oil and gas • Auto • Utilities • Steel • Banks
2026	**If the above remain unmet, vote against the entire Audit Committee**	
Criteria for shareholder resolution support		
2024 onwards	**Vote FOR climate-related shareholder proposals:** • Supported by management, so long as the proposal is not vague, leading to suspicion of greenwashing • Asking for enhanced disclosure on climate-related risks and opportunities, ideally in alignment with the TCFD • Requesting the company to set reduction targets for their scope 1 and/or 2 emissions and/or material scope 3 reduction ambitions • Requesting more transparency on corporate lobbying and membership of industry organisations • Submitting non-executive board member candidates who have relevant climate-related expertise and/or asking to increase relevant climate-related expertise at the board-level where such knowledge is currently absent and where climate-related risks are material in the near future	• CA100+ companies • Banks

Year	Voting guidelines	Focus sector(s)
	Deforestation and land use	
Directors		
2025[23]	**If the company does not publicly demonstrate a commitment to end deforestation in its supply chains or lending practices[24]** **Vote against the Chair**	• Sectors associated with agricultural-linked commodities • Banks
Criteria for shareholder resolution support		
2024 onwards	**Vote FOR deforestation-related shareholder proposals:** • Supported by management, so long as the proposal is not vague, leading to the suspicion of greenwashing • Asking companies to assess, monitor, and disclose how they contribute to nature depletion via their own operations and supply chains • Asking companies to assess, monitor, and disclose their direct and indirect exposure to deforestation • Asking companies to adopt a science-based deforestation target[25] • Asking companies to adopt policies and targets to improve the level of traceability in their supply chain • Asking companies to develop and/or disclose the grievance mechanisms in place to deal with eventual incidents of deforestation in their own operations and supply chain • Requesting more transparency on corporate lobbying and membership of industry organisations • Submitting non-executive board member candidates who have relevant nature-related expertise and/or asking to increase relevant nature-related expertise at the board level where such knowledge is currently absent and where nature-related risks are material in the near future	• Sectors associated with agricultural-linked commodities • Banks

22 Any reference to 'Banks' in the net zero voting guidelines will refer to those banks covered by TPI's banking tool.
23 Voting escalation beyond 2025 will be updated subject to industry developments.
24 This escalation does not attempt to scrutinise the quality of the deforestation commitment, eg, a no versus no net deforestation target – it is a presence or absence assessment. However, this baseline escalation trigger will be kept under review, and will become more stringent over time with industry developments.
25 Example: SBTN/TNFD Joint Guidance for corporates

Potential trade-offs

Just transition

Pursuing as fast as possible decarbonisation and energy transition will impose uneven costs to countries and societies. For example, in the developing world, 600m people are without electricity today, and an accelerated global decarbonisation pathway might slow their ability to gain access. In addition, many jobs, especially in the developing world, depend on fossil fuel extraction and the transport chain. A fast reduction in fossil fuel consumption puts these jobs and livelihoods at risk, creating societal harm, which in turn can impact the ability to achieve a net zero economy. To address this, the Trustee believes in a commitment to the principles of a just transition.[26]

Shareholder value

A fast decarbonisation pathway may conflict with shareholder value generation in certain companies and sectors. At some point, it may become clear that certain business models and even entire sectors are no longer able to generate shareholder value in ways consistent with mitigating climate change. The Trustee acknowledges there is currently no framework for directors of a business to voluntarily move away from creating shareholder value. To address this, the Trustee will:

- Review its position in these sectors on a yearly basis to determine whether it remains suitable to maintain exposure to these assets.
- Put stewardship emphasis on the demand side of the fossil fuel reliance value chain – notably the automotive sector – where incentives to decarbonise are higher.
- Continue to prioritise industry and policy engagement as part of its stewardship activities.

Selling assets

A company's decarbonisation strategy may involve the selling of assets (eg, oil and gas), which may then be bought by a third party that may not have net zero commitments and/or be transparent about their climate strategy (eg, private equity). This is a complex issue that will need to be dealt with on a case-by-case basis as part of the Scheme's asset manager monitoring programme.

26 It is also a CA100+ indicator.

Company expectations

Nature

The Trustee expects companies in high-impact sectors[27] to:

- Begin disclosing their approach to addressing nature-related financial risks in alignment with the Taskforce for Nature-related Financial Disclosures (TNFD) and work towards setting Science-Based Targets.[28]
- As a complement to the above, work towards adhering to the high-level investor expectations of Nature Action 100 related to the areas of: Ambition, Assessment, Targets, Implementation, Governance, and Engagement.
- Adhere to the Finance Sector Deforestation Action, with more specific investor expectations of companies in sectors associated with agricultural-linked commodities.[29]
- Consider embedding principles of the circular economy into their business model. Applying the circular economy business model can help companies address regulatory obligations, reduce waste and disposal costs, improve company image, and create new business opportunities through innovative new products and services.

Potential trade-offs

Just nature transition

Similar to the just transition, a rapid journey to a nature-positive economy could also result in impacts on livelihoods. The Trustee believes in a commitment to a just nature transition.[30] It implements that belief primarily through its expectation of asset managers to participate in Nature 100, in which 1 of its key engagements asks that the implementation plan should prioritise rights-based approaches and be developed in collaboration with indigenous peoples and local communities when they are affected.

Human rights

The Trustee expects all companies to respect human rights in accordance with the United Nations' (UN) Universal Declaration of Human Rights and the International Labour Organisation's (ILO) Core Labour Standards. Companies should comply with the principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises, as well as the UN Guiding Principles on Business and Human Rights (UNGPs). Under the UNGPs, the Trustee expects companies to have:

- A governance structure for human rights that identifies board-level oversight and executive accountability.
- A statement of their policy commitment to respect human rights.
- A human rights due diligence process to:
  - assess their actual and potential human rights impacts
  - integrate the findings and take action to prevent or mitigate potential impacts
  - track their performance
  - communicate their performance.
- Processes to provide or enable remedies to those harmed in the event that the company causes or contributes to a negative impact.

Potential trade-offs

Companies may face trade-offs in incorporating human rights into their business model, which could theoretically result in additional costs that are then passed on to their customers. As highlighted in the Scheme's investment belief, the Trustee expects companies to address this tension through a stakeholder value creation approach.[31]

Details regarding the potential trade-offs regarding impacts on livelihoods resulting from climate and nature are provided in those sections.

27 Such as those identified by Nature 100
28 Example: Science-based Targets for Nature.
29 As identified by the Science Based Targets Network (2023) SBTN High Impact Commodity List
30 Just_Nature_How_finance_can_support_a_just_transition_at_the_interface_of_action_on_climate_and_biodiversity.pdf (lse.ac.uk)
31 2018-10-03_AlexEdmans_PurposefulBusiness-T.pdf (gresham.ac.uk)

Policymaker expectations

The policymaker expectations outlined below will be predominantly used to drive the Scheme's asset manager monitoring programme. Using these policy expectations as an underpinning, the Trustee expects its asset managers to take a leading role in driving policy change where material gaps exist that undermine the Trustee's ability to meet its own RI objectives.

The Trustee expects governments to maintain a stable policy environment for its stewardship priorities, as outlined in the below policymaker expectations, as this is fundamental to making the case for investment and long-term business model change in material sectors.

Climate

The Trustee expects governments to comply with the goals of the Paris Agreement as summarised here and adhere to the climate policy principles set out in the Investor Agenda.

Nature

The Trustee expects governments to adhere to the Kunming-Montreal Global Biodiversity Framework and:

- Dedicate sufficient and predictable domestic and public expenditure to the consideration of critical ecosystems.
- Support green public finance and repurpose harmful subsidies and incentives driving the degradation of nature through green budget tagging.
- Create enabling conditions to catalyse private investment through policy and regulations that level the playing field for sustainable practices.
- Develop environmental markets that allow the private sector to monetise ecosystem services.
- Promote nature-related data, standards, labels, and disclosure to encourage market transparency and the integration of nature-related risks in financial decision making.

Human rights

The Trustee expects governments to align their policies with the UN Guiding Principles on Human Rights (UNGPs), in which it states that in meeting their duty to protect, they should:

- Enforce laws that are aimed at, or have the effect of requiring business enterprises to respect human rights and periodically assess the adequacy of such laws and address any gaps.
- Ensure that other laws and policies governing the creation and ongoing operation of business enterprises, such as corporate law, do not constrain but enable business respect for human rights.
- Provide effective guidance to business enterprises on how to respect human rights throughout their operations.
- Encourage, and where appropriate, require business enterprises to communicate how they address their human rights impacts.

Industry and collaborative engagement

Menu

> The Trustee believes that driving change through supporting industry-wide initiatives and holding its asset managers accountable to participate in leading industry coalitions offer the best chance of driving the stakeholder value it thinks is warranted and has the most comparative advantage in its stewardship efforts.

The Trustee has identified the following industry initiatives to prioritise, predominantly based on their focus, current momentum, and alignment of objectives.

Climate

Memberships:

- Institutional Investors Group on Climate Change (IIGCC)
- UK Sustainable Investment Forum (UKSIF)

Supporter of:

- Global Investor Coalition on Mining 2030
- Climate Action 100+

Additional information:

The Scheme's IIGCC and UKSIF memberships help the Trustee address key industry and policy challenges to achieving net zero through its forums for investor collaboration. Key working groups that the Scheme has or is involved in includes net zero benchmarks, indexed investors, proxy voting, asset owners, sovereign debt, and climate audit and accounting.

The Global Investor Commission on Mining 2030 is a collaborative, investor-led initiative that recognises the pivotal role of the mining sector in the energy transition and considers key systemic issues faced by the sector that currently challenge, or could challenge, existing good practices and the sector's social licence to operate. The Scheme is a supporter of this initiative.

Nature

Memberships:

- FAIRR Initiative (FAIRR)
- Principles for Responsible Investment's (PRI) Circular Economy Reference Group

Supporter of:

- Nature Action 100
- Spring: A PRI stewardship initiative for nature
- Investor Policy Dialogue on Deforestation (IPDD)

Additional information:

Nature Action 100 is a global investor engagement initiative that aims to mobilise institutional investors to establish a common high-level agenda for engagements and a clear set of expectations to drive greater corporate ambition and action on nature and biodiversity loss.

Spring engages with companies that have an influential voice in shaping public policies relating to deforestation dynamics, either through their direct political engagement, or indirectly through their membership in or association with trade associations, think banks and similar bodies. Support for this initiative stems from the systemic importance of corporate lobbying to deliver real-world outcomes. Note that this company 'ask' is not part of the Nature Action 100 company expectations.

FAIRR is a collaborative investor network that raises awareness of the ESG risks and opportunities in the global food sector. Their mission is to build a global network of investors who are aware of the issues linked to intensive animal production and seek to minimise the risks within the broader food system. Given its links to agricultural commodities and thus deforestation, creating a sustainable food system is a key component of a net zero economy.

The IPDD seeks to ensure the long-term financial sustainability of investments in the countries it is invested in by promoting sustainable land use and forest management and respect for human rights, with an initial focus on tropical forests and natural vegetation. It works with key stakeholders to encourage the adoption and implementation of regulatory frameworks that ensure the protection of such natural assets and human rights. Secretariat support is provided by the Tropical Forest Alliance (TFA), an initiative hosted by the World Economic Forum. IPDD is an initiative supported by the PRI.

Human rights

Given its nascency, as identified in the maturity map, the key focus area for industry and collaboration engagement will be the improvement of both company disclosures and industry data and analytics on human rights. The Scheme is a supporter of Advance, a PRI-led stewardship initiative where institutional investors work together to take action on human rights and social issues. The Scheme is a participant in 2 investor coalitions aiming to improve human rights disclosures:

- The first's purpose is to hold key stakeholders in the investment chain – data and index providers and proxy advisers – to account for the lack of credible, comparable human rights data and analytics. This impedes the Scheme's ability to fully integrate human rights considerations into its stewardship approach.
- The second is to develop and launch a disclosure framework to assess companies' fair pay practices.

Appendix

Glossary

Greenhouse gases (GHGs)

There are 4 primary GHGs linked to global warming: carbon dioxide (CO2), methane, nitrous oxide, and fluorinated gases. The Greenhouse Gas Protocol, an international accounting tool, categorises GHG emissions into 3 scopes. Scope 1 covers direct emissions from the reporting company's owned or controlled sources. Scope 2 covers indirect emissions from purchased electricity, steam energy, heating, and cooling that have been consumed by the reporting company. Scope 3 includes all other indirect emissions that occur in the reporting company's value chain.[32]

Institutional Investors Group on Climate Change (IIGCC)

A European membership body for institutional investor action on climate change. Its work focuses on corporate governance, investor practices, and public policy.

Just transition and Just Nature transition

'Just Transition' was included as part of the Paris Agreement to ensure that workers and communities are not left behind as the world's economy responds to climate change. The Investing in a Just Transition initiative is led by the Grantham Research Institute on Climate Change and the Environment at the London School of Economics and Political Science (LSE)[33] and the Initiative for Responsible Investment at the Harvard Kennedy School.

The Grantham Institute defines the 'Just Nature Transition' as one delivering decent work, social inclusion, and the eradication of poverty in the shift to a net zero and climate-resilient economy that simultaneously delivers biodiversity goals in agriculture, forestry, land use and the oceans.[34]

Net zero and Nature Positive

The term 'net zero' means cutting greenhouse gas emissions to as close to zero as possible, with any remaining emissions being reabsorbed from the atmosphere. A 'gross-zero' target would mean reducing all emissions to zero. This is not realistic, so instead, the net zero ambition recognises that there will be some emissions in hard-to-abate sectors for which the transition to net zero is either technologically or financially difficult (eg, steel and cement industries). Therefore, the emissions associated with these hard-to-abate sectors would need to be offset through negative emissions technologies or some other mechanism. Negative emissions technologies are mechanisms for the absorption and storage of carbon and other atmospheric greenhouse gases (eg, carbon capture).

Nature Positive is a global societal goal defined as 'Halt and reverse nature loss by 2030 on a 2020 baseline and achieve full recovery by 2050'. To put this more simply, it means ensuring more nature in the world in 2030 than in 2020 and continued recovery after that.[35]

Paris Agreement

The Paris Agreement was reached at COP21 in 2015. Its aim is to ensure global warming in the 21st century remains well below 2˚C above the average level recorded for the period 1850–1900 and to support efforts to limit global warming to 1.5˚C. The Agreement also considers a 'just transition', meaning "taking into account the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities."[36]

32 Homepage | GHG Protocol
33 Investing in a just transition - global project - Grantham Research Institute on climate change and the environment (lse.ac.uk)
34 Just_Nature_How_finance_can_support_a_just_transition_at_the_interface_of_action_on_climate_and_biodiversity.pdf (lse.ac.uk)
35 Nature Positive
36 The Paris Agreement | UNFCCC

Appendix

Principles for Responsible Investment (PRI)

A United Nations-supported international network of financial institutions working together to implement its 6 aspirational principles. Its goal is to understand the implications of sustainability for investors and support signatories to facilitate incorporating these issues into their investment decision-making and ownership practices. By implementing these principles, signatories contribute to the development of a more sustainable global financial system.

Responsible Investment

The Scheme defines responsible investment as an approach to investment that explicitly acknowledges the relevance to the investor, from both a financial and non-financial perspective, of ESG factors at investee companies, as well as the long-term health and stability of the market as a whole. Responsible investment recognises that:

- The generation of long-term sustainable returns is dependent on stable, well-functioning, and well-governed social, environmental, and economic systems.[37]
- Companies can choose to create value for shareholders in ways that create harm to the wider environment or society, which detracts from member outcomes in non-financial ways.

Stewardship

While the Scheme supports the Financial Reporting Council's definition of stewardship,[38] given the risk of conflation between the term 'stewardship' and 'responsible investment' and the activities that underpin them, for the purpose of this Policy, the term 'stewardship' and its remit will be defined by the RI Strategic Framework as outlined in this Policy.

The UK Stewardship Code 2020[39] sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them.

37 Source: Principles for Responsible Investment
38 UK Stewardship Code (frc.org.uk)
39 UK Stewardship Code (frc.org.uk)

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The information in this document is correct as of April 2024 and may be subject to change.

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